

*The First UN Millennium Development Goal: A Cause for Celebration?**

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Abstract The first and most prominent UN Millennium Development Goal has been widely celebrated. Yet, four reflections should give us pause. Though retaining the idea of "halving extreme poverty by 2015," MDG-1 in fact sets a much less ambitious target than had been agreed to at the 1996 World Food Summit in Rome: that the number of poor should be reduced by 19 (rather than 50) percent, from 1094 to 883.5 million. Tracking the \$1/day poverty headcount, the World Bank uses a method that is internally unreliable and may paint far too rosy a picture of the evolution of extreme poverty. Shrinking the problem of extreme poverty, which now causes some 18 million deaths annually, by 19 percent over 15 years is grotesquely underambitious in view of resources available and the magnitude of the catastrophe. Finally, this go-slow approach is rendered even more appalling by the contributions made to the persistence of severe poverty by the affluent countries and the global economic order they impose. An apparently generous gesture toward the global poor helps conceal these contributions.

Key Words International Poverty Line (IPL), Millennium Development Goals (MDGs), Official

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In the *UN Millennium Declaration* of the year 2000, the 191 member states of the UN committed themselves to the goal “to halve, by the year 2015, the proportion of the world’s people whose income is less than one dollar a day and the proportion of people who suffer from hunger.” This is the first and most prominent of altogether eight UN Millennium Development Goals (MDGs) as listed on the UN website.¹

The commitment to this goal, in such a prominent text, has been widely celebrated. The governments of the world have finally united behind the goal of eradicating extreme poverty and hunger. And they have not merely endorsed this goal in a vague and general way, but have committed themselves to a concrete plan with a quite specific intermediate target. Given the abject poverty in which so many human beings subsist today, this highly official and highly visible commitment is surely reason for celebration. — Isn’t it?

I am not so sure. In any case, I want to offer four skeptical reflections that we should ponder before judging the goal our governments have set in our names.

Reflection One — on Halving World Poverty

The goal of halving extreme poverty worldwide by 2015 is not new. It was very prominently affirmed, for instance, four years earlier, at the World Food Summit in Rome, where the 186 participating governments declared: “We pledge our political will and our common and national

¹ See www.un.org/millenniumgoals/index.shtml. The text of the *Declaration* (www.un.org/millennium/declaration/ares552e.htm), as unanimously adopted without vote by the UN General Assembly on September 8 of the year 2000, had, in its Article 19, stated only six goals. But the difference is unimportant, reflecting merely a slight rearrangement on the website.

commitment to achieving food security for all and to an on-going effort to eradicate hunger in all countries, with an immediate view to reducing the number of undernourished people to half their present level no later than 2015.’²

Is the first MDG then merely a reaffirmation of a commitment made earlier? Or even a slightly more ambitious commitment, seeing that the reported number of extremely poor had fallen a bit from the 1096.9 million reported for 1996 (www.worldbank.org/research/povmonitor)? Well, not exactly.

Looking closely at the two texts, we find a subtle but important shift. While the earlier *Rome Declaration* spoke of halving by 2015 the *number* of undernourished, the later *Millennium Declaration* speaks of halving by 2015 the *proportion* of people suffering from hunger and extreme poverty.

Substituting “proportion” for “number” makes a considerable difference. For the year 2000, some 1094 million were reported to be living below \$1/day.³ Halving the *number* of extremely poor people thus would commit us to ensuring that there are no more than 547 million such people in 2015. Halving the *proportion* of extremely poor people is less ambitious. In 2000, the total human population was 6070.6 million (<http://esa.un.org/unpp/>); so 18.02 percent were living in extreme poverty. Halving the proportion means reducing this percentage to 9.01 percent. Given an expected human population of 7197 million in 2015 (*ibid.*), the implied goal is then to reduce the number of extremely poor people to 648.5 million by 2015. The planned poverty reduction has been shrunk by 101.5 million.

² *Rome Declaration on World Food Security*, adopted in November 1996 at the World Food Summit in Rome, which was organized by the UN Food and Agriculture Organization (FAO). The full text is available at www.fao.org/docrep/003/w3613e/w3613e00.htm

³ My rough interpolation from the World Bank’s figures of 1095.1 million for 1999 and 1092.7 million for 2001 (www.worldbank.org/research/povmonitor).

What makes the difference here is the increase in the reference population. As the human population grows by 18.6 percent over the 2000-2015 period, so the number of extremely poor people deemed acceptable in 2015 also increases by 18.6 percent (from 547 to 648.5 million) and the planned poverty reduction is correspondingly diminished by 18.6 percent (from 547 to 445.5 million).

The UN's interpretation of the goal cuts back the planned poverty reduction even further. The formulation of the first MDG clearly specifies the end of the plan period: the year 2015. But it says nothing about the start of this period — about the *status quo ante* relative to which the one-half reduction in the percentage of poor people is to be achieved. One may think that the missing baseline is obvious: It is simply the time at which the MDGs are adopted, the year 2000 — in analogy to how the *Rome Declaration* set the “present level” as the baseline. But the UN instead uses 1990 as the baseline, thereby expanding the plan period to 25 years. It interprets the goal to be that the proportion of extremely poor people should in 2015 be no more than half of what it was in 1990 (www.un.org/millenniumgoals/MDG-Page1.pdf).

The use of 1990 rather than 2000 as the baseline is significant in two ways. First, the 1990s have seen a dramatic reduction in the reported number of extremely poor people in China, the world's most populous country. By extending the plan period backwards, this reduction by nearly 150 million (www.worldbank.org/research/povmonitor) is counted toward the goal, which thus becomes much more easily achievable. Thanks to China's success, reported extreme poverty in the entire “East Asia and the Pacific” region has been halved by 1999 already — one year *before* the *Millennium Declaration* was even adopted!⁴

⁴ See www.un.org/millenniumgoals/MDG-Page1.pdf, showing the actual proportion of poor people in that region as 28% in 1990 and 14% in 1999, and showing the goal of 14% for 2015.

Second, a longer plan period — 25 years instead of 15 — means a much greater population growth from the start to the end of the period. And, as we have seen already, this population growth also contributes greatly towards achieving the goal. Put precisely: The proportion of extremely poor people is a fraction that has the number of extremely poor people in the numerator and some reference population in the denominator. A fixed reduction in the value of such a fraction, here by one half, can come about through a decrease in the numerator and/or through an increase in the denominator. The greater the increase in the denominator, which occurs simply through population growth, the less of a reduction needs to be achieved in the numerator.

By lengthening the plan period, the UN nearly *doubles* the expected increase in the denominator and thus reduces substantially the required reduction in the numerator: While the human population is expected to grow by 18.6 percent in the 2000-2015 period, its growth over the longer 1990-2015 period is expected to be 36.7 percent, from 5263.6 to 7197 million (<http://esa.un.org/unpp>).

Let us observe the effect of lengthening the plan period in terms of actual numbers. In 1990, 1218.5 million people or 23.15 percent of humankind are reported to have lived below \$1/day (www.worldbank.org/research/povmonitor). Halving this percentage, the goal would then be that in 2015 no more than 833 million human beings (11.575 percent of the expected world population of 7197 million) should be so poor. By extending the plan period backward, the UN raises the number of extremely poor people deemed acceptable in 2015 by a further 184.5 million and correspondingly shrinks the poverty reduction planned for 2000-2015 by the same number, to 261 million.

The UN makes the goal even less ambitious through regional disaggregation. It interprets the goal to be that the proportion of extremely poor people should be halved *within each region*

(www.un.org/millenniumgoals/MDG-Page1.pdf). This produces a further cut-back in the planned poverty reduction as regions with greater poverty incidence also tend to have faster population growth.

We can observe most of this effect by taking the developed countries, where extreme poverty is negligible or non-existent, out of the picture. The population of the remaining, developing countries grows faster than that of humankind at large. It is expected to grow by 45 percent (from 4114.7 to 5967 million) in the 1990-2015 period (<http://esa.un.org/unpp>). The goal of halving extreme poverty therefore becomes even less ambitious if the number of poor is put in proportion not to the growing human population, but to the faster-growing population of the developing countries. In 1990, 29.6 percent of this population were extremely poor — 1218.5 out of 4114.7 million. Thus the figure deemed acceptable for 2015 is 14.8 percent of 5967 million — 883.5 million. And so the planned poverty reduction is cut back by yet another 50.5 million: to 210.5 million. On the official UN interpretation, MDG-1 commits the world's governments to reducing the number of extremely poor persons by 19 percent — from 1094 million when the Declaration was adopted in 2000 to 883.5 million by 2015.

Let me sum up my first reflection. MDG-1 is meant to supersede a commitment the world's governments had made years earlier, notably at the 1996 World Food Summit in Rome. There they promised to reduce the *number* of extremely poor to half its *present* (1996) level, from 1096.9 to 548.45 million. MDG-1 departs from this earlier commitment in three important respects: First, our governments' goal is now to halve the *proportion* of extremely poor people, not their number. Second, the plan period has been extended backward in time, having it start not when the commitment is made, but in 1990. Third, the commitment is now regionally disaggregated, which

further cuts back the planned poverty reduction and also detracts from the global moral responsibility of the affluent countries.

Compared to the 1996 World Food Summit commitment, MDG-1 as interpreted by the UN *raises* the number of extremely poor people deemed acceptable in 2015 by 335 million (from 548.45 to 883.5 million) and thereby *shrinks* by over 62 percent the reduction in this number which governments pledge to achieve during the 2000-2015 period. Had we stuck to the promise of Rome, our task for 2000-2015 would have been to reduce the extremely poor by 545.55 million. The *Millennium Declaration* envisages a reduction by only 210.5 million.

Reflection Two — on Counting the Poor

My first reflection may have been a little discomfoting. However, there is other good news. In the words of World Bank President James Wolfensohn: “After increasing steadily over the past two centuries, since 1980 the total number of people living in poverty worldwide has fallen by an estimated 200 million — even as the world’s population grew by 1.6 billion.”⁵ Thus, the world’s politicians may not be moving as vigorously or as quickly toward the eradication of extreme poverty as we might have believed or might wish, but at least things are moving in the right direction and at a reassuring pace.

Are they really? — The numbers Wolfensohn is referring to are produced by his own organization, the World Bank, which has pioneered the dominant method for counting the income poor and also collects the most comprehensive empirical data from household surveys and other studies. These

⁵ James D. Wolfensohn: “Responding to the Challenges of Globalization: Remarks to the G-20 Finance Ministers and Central Governors,” Ottawa, November 17, 2001, www.worldbank.org/html/extdr/whatsnew2001.htm. These estimates appear to be drawn from World Bank 2002, 8. The World Bank’s estimate of the 1980-2000 poverty reduction has since been doubled, with scant explanation (Chen and Ravallion 2004, *cf.* www.worldbank.org/research/povmonitor).

World Bank estimates — often presented precise to six digits (*cf.* Chen and Ravallion 2001, 290) — are widely reproduced by other UN agencies (most notably the UN Development Programme) as well as by the media. And they are the numbers the UN is using to track how well the world's governments are doing in regard to the eradication of extreme poverty.

It is unfortunate, then, that the World Bank's estimates are problematic, even as rough indicators to the global poverty problem and its evolution over time. Detailed substantiation of this critique, which was elaborated in joint work with my economist colleague Sanjay Reddy, can be found elsewhere (Pogge and Reddy 2003, Reddy and Pogge 2005). Here I briefly present our main conclusions.

The World Bank's method, initially introduced around 1990, involves three steps. First, its users stipulate the level of a poverty line, defined in terms of the purchasing power that some specific country's currency had in this country in some specific base year. Until 1999, the Bank's chosen benchmark was an income of \$1 per person per day in the US in 1985. More recently, the Bank has, under the same \$1/day label, used an income of \$32.74 per person per month in the US in 1993 (Chen and Ravallion 2001, 285) — a revision that, because US inflation was 34.3 percent in the 1985-93 period (www.bls.gov/cpi/home.htm), involved a lowering of the benchmark in the US by 19.6 percent.⁶

Second, such users undertake a spatial translation of this benchmark by calculating, for the chosen year, the equivalent amounts in the currencies of other countries, using purchasing power parity conversion factors (PPPs) of the base year. And, third, they undertake a temporal translation by converting any country's base-year amount into its equivalents for other years on the basis of that

⁶ This effect is typical. Substantially lowering the IPL for 77 of 92 countries, containing 82% of their aggregate population, the revision significantly reduced the number of people counted as extremely poor (Reddy and Pogge 2005, Table 5).

country's consumer price index (CPI). Together, these three steps yield (supposedly mutually equivalent) national-currency poverty lines for any country-year combination, which are then used to judge whether any given household in any particular country and year is poor or not.

Our first critique, concerning Step 1, is that the benchmark chosen by the Bank is too low.

According to the US Department of Agriculture, the least cost of home cooking, meeting a minimal calorie constraint (varying between 1600 and 2800 calories depending on age and gender) and a set of other minimal nutrient constraints, was \$5134 for a typical family of four in the US in 1999.⁷

Living at the Bank's official international poverty line (IPL), such a family would have had only \$1812 in 1999, and \$2057 in 2004.⁸ Applying the Bank's IPL in its base country — the United States — we find that it does not correspond to an income that suffices to pay even just for food alone.

Our second critique, concerning Step 2, targets the way the Bank converts its US-Dollar benchmark into foreign-currency equivalents. The Bank does so, unobjectionably, not *via* market exchange rates, but by examining the prices prevailing in the US and abroad.

Now price ratios between rich and poor countries vary widely across commodities. For goods easily traded across borders — “tradables,” like food grains or cars — prices compared at market exchange rates differ little between rich and poor countries. For goods and especially services not easily traded across borders (“nontradables”), prices compared at market exchange rates can be fifty times higher in rich countries than in poor ones. Labor, especially, is very much cheaper in poor

⁷ USDA 1999b, ES-1. According to this guide for low income households and government agencies, a reference family consisting of a male and a female ages 20 to 50, and two children ages 6 to 8 and 9 to 11 needs at least \$98.40 (1999) per week for food.

⁸ This is $\$32.74 * 12 \text{ months} * 4 \text{ persons}$, adjusted for CPI inflation since 1993 (www.bls.gov/cpi/home.htm).

countries because it is there much more abundant relative to capital and also prevented from moving freely across borders to where wages are higher.

How do PPPs reflect this great diversity of price ratios? The PPPs used by the Bank average out these price ratios in a way that, roughly speaking, weights each good or service in proportion to its share in international consumption expenditure. In this way US\$1 and 13 Bangladeshi Taka are deemed equivalent in purchasing power even though the former amount buys much more tradables in the US than the latter buys in Bangladesh while the latter amount buys much more nontradables in Bangladesh than the former buys in the US.

Now the market exchange rate of the Bangladeshi currency is $4\frac{1}{2}$ times higher than its PPP, not 13 but 59 Taka to the Dollar. The PPP calculated for the Bangladeshi currency thus reflects the view that money buys $4\frac{1}{2}$ times more in Bangladesh than in the US. This view may fit affluent Bangladeshi consumers whose expenditure mirrors the international pattern. But it is highly misleading in regard to very poor Bangladeshi families who spend little or nothing on nontradables, such as services, which are especially cheap in Bangladesh. These families have no choice. To survive they must concentrate their expenditures on basic necessities, especially foodstuffs. And there is ample evidence that foodstuffs and other basic necessities cost substantially more in poor countries than general-consumption PPPs would suggest (Reddy and Pogge 2005, Tables 6-11).

Given Bangladesh's PPP of 13, the World Bank assumes that a Bangladeshi family of four with annual income of 26,000 Taka is as well off as a similar family would be in the US with \$2000 per year. This is a mistake because, for such a poor Bangladeshi family, the disadvantage — that 26,000 Taka buys much less food in Bangladesh than \$2000 buys in the US — is not compensated by the fact that 26,000 Taka also buys much more services in Bangladesh than \$2000 buys in the

US. The reason is that such a poor family does not spend money on services: on drivers, maids, or even haircuts. It simply cannot afford to do so. To survive, it must spend nearly all its income on basic foodstuffs. And it is then very much worse off with its 26,000 Taka per year in Bangladesh than a similar household with \$2000 per year would be in the US. In the Bank's latest PPP base year, 1993, for example, the Bangladeshi Taka bought just over half as much (53%) in breads and cereals as its assessed PPP was suggesting (Reddy and Pogge 2005, Table 6B).

As the Bank periodically updates its poverty statistics by switching to a later PPP base year, this mistake tends to get larger, because foodstuffs constitute a falling, and services a rising share in international consumption expenditure. As a result, the prices of foodstuffs have a diminishing, and the prices of services a growing influence on the calculation of official PPPs. The Bank's PPPs are likely, therefore, *increasingly* to overstate the value of poor countries' currencies for fulfilling basic needs. We can expect successive poverty measurement exercises to attribute greater and greater purchasing power to the same poor family in the same country and year by assessing its income against consumption baskets containing ever more services and less food.

Summing up our second critique, if we think of the extremely poor as those who lack minimally adequate access to basic necessities, then we must conclude that, even if the World Bank's poverty line were adequate for the US, where food is cheap relative to services, the Bank, by using general-consumption PPPs for converting its IPL into national poverty lines, may still have greatly undercounted the poor in many poor countries where food is more expensive relative to services than in the US.

Our second critique reinforces the first, suggesting that the national poverty lines the Bank applies to poor countries are too low to be credible. The Bank is wrong in suggesting that a family of four

could meet its basic needs on \$131 per month in the US in 1993. This is the first critique. And the Bank is wrong again in using general-consumption PPPs and CPIs to translate this amount into foreign currencies and other years. The resulting national-currency amounts will have quite different (and in poor countries generally lower) purchasing power with respect to the basic necessities on which the poor do and must concentrate their spending.⁹

Our first two critiques suggest that the number of people who cannot meet their basic needs may be much greater than World Bank estimates suggest. One may think that this is not so important in the context of tracking progress toward achieving the first UN MDG. If more credible, that is higher, poverty lines were used to count the poor, more people would be recognized as poor. But this would be true for all years and thus would make no difference to the upbeat trend assessment delivered by the Bank.

However, more credible poverty lines would not deliver the same trend picture. We know this from the Bank's own estimates. According to its latest figures, the number of people living below its

⁹ These errors are replicated by Surjit Bhalla (2002) and Xavier Sala-i-Martin (2002) who — to great media acclaim — have presented much rosier poverty statistics than the Bank's. They achieve such lower poverty headcounts by relying on national accounts data while using household survey data only to estimate the proportional distribution of each national total. This methodological divergence matters because, for most countries, national accounts data support higher estimates of aggregate private consumption than household survey data do. The discrepancy is due in part to the fact that national accounts use a broader definition of private consumption, including e.g. the consumption by non-governmental organizations, the value of housing consumed by owner-occupants, and the consumption benefit derived from the use of credit cards and mortgages ("financial services indirectly measured" or FISM). Bhalla and Sala-i-Martin thus raise the assessed consumption of the poor by imputing to them a proportional share of such "consumption." (Focusing on GDP, Sala-i-Martin additionally imputes to poor households a proportional share of government outlays and national investment expenditures, thus counting many households as non-poor thanks to their government's spending on tanks and airports.) More generally, both authors uniformly adjust the findings of any country's household survey (mostly upward) to match its national accounts data — assuming that the latter are accurate and that the poor underreport their consumption to the same extent as their compatriots do. The authors thereby disregard other factors that are likely to contribute to the substantial and generally growing discrepancy between national-accounts and household-survey based estimates of national private consumption expenditure: that national accounts data may exaggerate aggregate consumption, and that affluent households (which often underreport their taxable incomes) are more likely to understate their consumption or to refuse to participate in household surveys. (Their nonparticipation would bias household surveys toward overestimating the poverty headcount, but generally much less so than the two authors' assumption of consumption underreporting by the poor.) For a thorough analysis of the data discrepancy, see Deaton 2003.

official \$1/day IPL fell by 389.1 million or over 26 percent (from 1481.8 to 1092.7 million) during 1981-2001, while the number of people living on less than twice this benchmark (“\$2/day”) rose by 285.6 million or nearly 12 percent (from 2450.0 to 2735.6 million) over the very same period (www.worldbank.org/research/povmonitor). These figures strongly suggest that, had the Bank used more credible — higher — poverty lines, it would have reported a less rosy trend picture.

Our third critique is that the World Bank’s method is internally unreliable insofar as the poverty estimates it produces depend not only on the empirical data but also, and very substantially, on the chosen PPP base year. The reason for this is that PPPs and CPIs invoke very different notions of equivalency. For example: The equivalence, in India, of 1562 Rupees in 1985 with 2756 Rupees in 1993 means that these two amounts had, in their respective years, the same purchasing power relative to the *Indian* pattern of consumption expenditure. The equivalence, in the US, of \$293 in 1985 with \$393 in 1993 means that these two amounts had, in their respective years, the same purchasing power relative to the *US* pattern of consumption expenditure. And the equivalence, in 1993, of 2756 Rupees in India with \$393 in the US means that these two amounts had, in their respective countries, the same purchasing power relative to the prevailing *international* pattern of consumption expenditure. Because the composition of consumption expenditure varies greatly between India, the US, and the world at large, it is a mistake to combine such equivalencies by transitivity — e.g. like this:

\$293 in the US in 1985 is equivalent to \$393 in the US in 1993

\$393 in the US in 1993 is equivalent to 2756 Rupees in India in 1993

2756 Rupees in India in 1993 is equivalent to 1562 Rupees in India in 1985

Therefore:

\$293 in the US in 1985 is equivalent to 1562 Rupees in India in 1985.

Drawing this inference is a mistake, because the inferred equivalence would not hold up if we compared the two amounts directly, *via* 1985 PPPs, or in some other indirect way, *via* PPPs of some base year other than 1993.

Fortunately, I need not rest with the theoretical statement of the difficulty. The World Bank has delivered extensive poverty estimates based on two different PPP base years: 1985 and 1993. This switch in base year has made a huge difference to how the various currencies are valued relative to one another. For example, if 1993 rather than 1985 is used as the PPP base year, then the purchasing power of all Mauritanian incomes in all years more than triples relative to that of all Nigerian incomes in all years. The World Bank's switch in base year had the effect of raising Nigerian poverty lines for all years by 42 percent and of lowering Mauritanian poverty lines for all years by 61 percent (Reddy and Pogge 2005, Table 5). Discrepancies of this kind, of varying magnitudes, can be found across all pairs of countries.

The effect of these revisions in national poverty lines on reported national poverty rates and headcounts is even more dramatic. In 1999, applying its method with 1985 as the PPP base year, the Bank reported very similar poverty rates for Nigeria and Mauritania, of 31.1 and 31.4 percent respectively. In 2000, applying its method with 1993 as PPP base year, the Bank reported poverty rates for Nigeria and Mauritania of 70.2 and 3.8 percent respectively. Depending on which PPP base year it uses, the Bank estimates Nigeria's poverty rate to be either slightly lower or 18 times higher than Mauritania's!¹⁰

¹⁰ It is true that new survey data had become available in the interim. Still, the revision of the two countries' poverty lines clearly had a huge impact on their estimated poverty rates. And cases where the very same survey data were used tell a similar story: The Bank's revision raised Turkmenistan's poverty rate from 4.9% to 20.9%,

Similarly for regions: In 1999, applying its method with 1985 as PPP base year, the Bank reported that in 1993 Sub-Saharan Africa and Latin America had poverty rates of 39.1 and 23.5 percent, respectively.¹¹ In 2000, applying its method with 1993 as PPP base year, the Bank reported that these same regions in the same year (1993) had poverty rates of 49.68 and 15.31 percent, respectively.¹²

At any time, the classification of hundreds of millions of people as either poor or non-poor depends on the World Bank's arbitrary choice of PPP base year. And this is bound to affect the trend picture as well. In 1999, applying its method with 1985 as PPP base year, the Bank had painted a rather less reassuring portrait of world poverty than Wolfensohn was presenting two years later. Then the Bank wrote: "the absolute number of those living on \$1 per day or less continues to increase. The worldwide total rose from 1.2 billion in 1987 to 1.5 billion today and, if recent trends persist, will reach 1.9 billion by 2015" (World Bank 1999, 25).¹³

Our third critique demonstrates, then, that the World Bank's method for producing poverty estimates is *unreliable*. We cannot show this by comparing the Bank's estimates to ones produced by a more reliable method — no such estimates yet exist. We show the unreliability of the Bank's method simply by comparing estimates produced with this method to one another, finding discrepancies that are much greater than is reasonably acceptable. A method must be rejected if the

for example, while lowering South Africa's from 23.7% to 11.5%. Cf. Reddy and Pogge, Tables 2 and 3, for how the Bank's poverty rate estimates have changed for these and many other countries. Our tables are based on comparing Table 4 of World Bank 1999, 236-37, whose national poverty estimates are still based on the 1985 PPP base year, with Table 4 of World Bank 2000, 280-81, providing national poverty estimates based on the 1993 PPP base year.

¹¹ Cf. Reddy and Pogge 2005, Table 4, based on World Bank 1999, 25, and Ravallion and Chen 1997, Table 5.

¹² World Bank 2000, 23, and Chen, S., and Ravallion, M. (2000) 'How Did the World's Poorest Fare in the 1990s?', at www.worldbank.org/research/povmonitor/pdfs/methodology.pdf, Table 2.

¹³ According to the latest World Bank figures, the 1987-99 period saw not a 300-million *rise* in the number of people below \$1/day, but a 76.1-million *drop* (www.worldbank.org/research/povmonitor).

estimates produced with it bounce around as much as we have just observed in response to the arbitrary choice of PPP base year, which of course has nothing whatsoever to do with the actual economic circumstances of poor people.

A reliable method for monitoring how the world is doing in regard to the income poverty component of the first UN MDG must make purchasing-power comparisons not through PPPs and CPIs that invoke diverse and very broad consumption baskets (the many national patterns and the international pattern of private consumption expenditure), but relative to a very much narrower consumption basket consisting of basic necessities. In addition, a reliable method must anchor its poverty lines not in some arbitrary dollar amount, but in a sound account of the basic requirements of human beings. Such a definition provides a benchmark that is both credible and uniformly applicable across all countries and years. Persons are poor if they do not have enough income to buy the basic necessities human beings generally require.

Reflection Three — on the Speed and Cost of Alleviating Poverty

However little may be known about income poverty trends, we certainly know that the problem of world poverty is catastrophic. According to the official statistics, about

799 million are undernourished (UNDP 2003, 87),

1000 million lack access to safe drinking water (*ibid.*, 9),

2400 million lack basic sanitation (*ibid.*),

880 million have no access to basic medical care (UNDP 1999, 22),

1000 million lack adequate shelter (UNDP 1998, 49),

2000 million have no electricity (*ibid.*),

876 million adults are illiterate (UNDP 2003, 6),

250 million children (aged 5 to 14) do wage work outside their family, at least 8.4 million of them in the “unconditionally worst” forms of child labor, which involve slavery, forced or bonded labor, forced recruitment for use in armed conflict, forced prostitution or pornography, or the production or trafficking of illegal drugs (ILO 2002, 9, 11, 17, 18).

“Worldwide 34,000 children under age five die daily from hunger and preventable diseases” (USDA 1999a, iii). Nearly one third of all human deaths — some 18 million per year or 50,000 daily — are due to poverty-related causes (such as starvation, diarrhea, pneumonia, tuberculosis, measles, malaria, perinatal and maternal conditions) which could be prevented or cured cheaply through food, safe drinking water, vaccinations, rehydration packs, medicines, or better sanitation and hygiene (WHO 2004, Annex Table 2). Women and girls are substantially overrepresented among those suffering these deprivations (UNDP 2003, 310-30).

At 18 million per year, the global poverty death toll over the 15 years since the end of the Cold War was around 270 million, roughly the population of the US. If the magnitude of the world poverty problem remains constant, the poverty death toll for the period from the *Millennium Declaration* to 2015 will likewise be about 270 million. Of course, this UN *Declaration* is a commitment to reduce the number of extremely poor, and hence presumably also the number of poverty deaths, by 19 percent. If all goes according to plan, we may then gradually reach an annual poverty death toll of 14 million in 2015, with “only” 240 million deaths from poverty-related causes in the 2000-2015 period. Is this really a morally acceptable plan? A plan to be celebrated?

Consider some of the other catastrophes of the last century. The genocide in Rwanda, for example, when the UN and the rest of the world stood idly by while some 800,000 people were hacked to death (*cf.* Pogge 2005). Suppose some US politician had said, in April 1994, that the genocide in Rwanda is really terrible and that the world's governments should commit themselves to reducing the slaughter by 19 percent by the year 2009. How would this have been received? Or suppose a US politician had said, in 1942, that the German concentration camps are morally intolerable and that the world's governments should aim to achieve a 19-percent reduction in the population of these camps by the year 1957 (which goal could perhaps more appealingly have been presented as a larger reduction in the *proportion* of the world's population, or of the world's non-Aryan population, languishing in German concentration camps). People would have been absolutely horrified by such a proposal.

So why were we not similarly horrified when the world's politicians proposed, in 2000, to reduce extreme poverty so that, 15 years later, the number it affects will have declined from 1094 to 883.5 million and the annual death toll from 18 to 14 million? Why do we greet such a proposal with celebration and self-congratulations?

Some would respond that the reason is cost. We simply cannot solve the problem any faster without huge costs to the cultures and economies of the advanced industrialized countries. They will admit that fighting the Nazis was quite costly too and that decent people, even ones not themselves under threat, were nonetheless convinced that the Nazis simply had to be stopped, with all deliberate speed. But the cost of fighting world poverty, they may say, is much greater still. As Richard Rorty puts it, "the rich parts of the world may be in the position of somebody proposing to share her one loaf of bread with a hundred starving people. Even if she does share, everybody, including herself,

will starve anyway” (Rorty 1996, 10). How could it be wrong to refuse such a pointless course of self-sacrifice?

This response rests on a misconception. However immense the world poverty problem is in human terms, it is amazingly tiny in economic terms. Using the World Bank’s poverty estimates, we can get a very rough sense of what the aggregate income is of all the people the Bank considers extremely poor. Assessed at market exchange rates, these 1092.7 million people together live on about \$100 billion annually and would need some \$40 billion more per year to reach the Bank’s \$1/day benchmark.¹⁴

To be sure, the Bank’s IPL is too low. So let us look at the Bank’s statistics about those living on less than twice its IPL. Assessed at market exchange rates, these 2735.6 million people (nearly half of humankind) together live on about \$406 billion annually and would need some \$294 billion more per year to reach the \$2/day benchmark.¹⁵ How large are these amounts?

¹⁴ These figures are rough estimates derived as follows. If all people with incomes below \$1/day were exactly at this benchmark, then the purchasing power of their collective annual income would be that of \$430 billion in the US in 1993 ($\$32.74 * 12 \text{ months} * 1092.7 \text{ million}$), which corresponds to the purchasing power of \$560 billion in 2004 (www.bls.gov/cpi/home.htm). Yet, those who are extremely poor in this sense live, on average 28.4 percent below the \$1/day benchmark (Chen and Ravallion 2004, Tables 3 and 6, dividing the poverty gap index by the headcount index). So they have collective annual income with aggregate purchasing power of about \$400 billion and would need additional annual income with aggregate purchasing power of about \$160 billion annually for all of them to reach the Bank’s \$1/day benchmark. I divide these two figures by 4 to adjust for the fact that the purchasing power the Bank ascribes to the incomes of very poor people is, on average, at least four times greater than their value at market exchange rates. Thus the World Bank equates India’s *per capita* gross national income of \$460 to \$2,450 PPP, China’s \$890 to \$4,260 PPP, Nigeria’s \$290 to \$830 PPP, Pakistan’s \$420 to \$1,920 PPP, Bangladesh’s \$370 to \$1,680 PPP, Ethiopia’s \$100 to \$710 PPP, Vietnam’s \$410 to \$2,130 PPP, and so on (World Bank 2003, 234-5).

¹⁵ These estimates are derived analogously. If all people with incomes below “2/day” were exactly at this benchmark, then the purchasing power of their collective annual income would be that of \$2150 billion in the US in 1993 ($\$65.48 * 12 \text{ months} * 2735.6 \text{ million}$), which corresponds to the purchasing power of \$2800 billion in 2004 (www.bls.gov/cpi/home.htm). Those who are poor in this sense live, on average 42 percent below the \$2/day benchmark (Chen and Ravallion 2004, Tables 3 and 6, again dividing the poverty gap index by the headcount index). So they have collective annual income with aggregate purchasing power of about \$1624 billion and would need additional annual income with aggregate purchasing power of about \$1176 billion annually for all of them to reach the Bank’s \$2/day benchmark. I again divide both figures by 4 to estimate what these amounts come to at market exchange rates.

Start with the former: the collective income of the \$2/day-poor. These \$406 billion constitute about 1.3 percent of the annual global social product of ca. \$31,500 billion. With only one third as many people, the rich countries, by contrast, have over 60 times as much income: 81 percent of the global social product (World Bank 2003, 235).

Consider the second amount, the additional annual income of \$294 billion that the presently poor would need in order to reach the \$2/day benchmark. This is 1.15 percent (1/87th) of the \$25,506 billion annual aggregate national incomes of the rich countries (*ibid.*).

This \$294-billion amount also is only about 40 percent of what the world is spending this year just on crude oil. It is well below the military budget of the US alone. And it is far less also than the so-called peace dividend, which the rich countries reaped when they reduced their military spending after the end of the Cold War.¹⁶ Rorty's idea that universal starvation would result from an all-out effort to eradicate world poverty completely is simply preposterous.

While the \$294-billion amount is quite small relative to our means, it is also four times larger than what the rich countries are actually spending on official development assistance (ODA). Initially meant to reach 1 percent, later 0.7 percent of the rich countries' GNP, actual ODA has steadily fallen throughout the prosperous 1990s, from 0.33 percent to 0.22 percent of the rich countries' aggregate GNP, mainly through a drop from 0.21 to 0.10 percent in the US which has nearly one third of the entire global social income (UNDP 2002, 202). Moreover, most ODA is spent for the benefit of agents capable of reciprocation: Only 23 percent goes to the 49 least developed countries. While India receives about \$1.50 annually per citizen, high-income countries like the

¹⁶ The developed countries were able to reduce their military expenditures from 4.1% of their combined GDPs in 1985 to 2.2% in 1998 (UNDP 1998, 197; UNDP 2000, 217). With their combined GDPs at \$25,104 billion in the year 2001 (World Bank 2003, 239), their peace dividend in 2001 comes to about \$477 billion (1.9% of \$25,104 billion).

Czech Republic, Malta, Cyprus, Bahrain, and Israel receive between \$40 and \$132 per citizen annually (UNDP 2002, 203-205). A large part of ODA is allocated to support exporters at home or small affluent elites abroad, and only a tiny fraction, \$4.31 billion, goes for “basic social services” targeted on the poor (http://millenniumindicators.un.org/unsd/mi/mi_series_results.asp?rowId=592).

To be sure, some affluent countries do much better than the average, and five small ones — Norway, Sweden, Denmark, Luxembourg, and the Netherlands — come close to fulfilling their obligations (UNDP 2003, 290). If the other affluent countries spent as much on ODA as these five and focused their ODA sharply on poverty eradication (notably including basic health care and education), then severe poverty worldwide could be essentially eliminated by 2015, if not before.

Many human beings live in severe poverty, lacking secure access to basic necessities. This is nothing new. What is new is that global inequality has increased to such an extent that such poverty is now completely avoidable at a cost that would barely be felt in the affluent countries.

Reflection Four — on Positive and Negative Responsibility, Benefiting versus Not

Harming

The hypothetical of US politicians proposing a planned 19-percent reduction over 15 years in response to the mass deaths in Germany or Rwanda suggested that the go-slow approach adopted and celebrated by the world’s privileged today is morally no better than such a hypothetical go-slow approach would have been in 1942 or 1994.

The fact that a real effort toward eradicating severe poverty worldwide would be much less costly than the defeat of Nazi Germany suggests that the present go-slow approach against world poverty may actually be morally worse than the hypothetical go-slow approach against the Nazi

concentration camps: It is for the sake of *small* gains that the world's affluent elites are refusing to undertake a much more substantial push against world poverty.

My final reflection will highlight an additional asymmetry. The US bore no significant responsibility for the existence of the Nazi death camps; and the (hypothetical) commitment to reduce them by 19 percent over 15 years was then responsive to a merely positive duty to assist innocent persons at risk. The governments and citizens of today's affluent countries conceive of their relation to world poverty analogously: We tend to believe that we bear no significant responsibility for the existence of this problem and that our only moral reason to help alleviate it is our merely positive duty to assist innocent persons caught in a life-threatening emergency. This belief, however, is highly questionable.

Our world is marked by enormous inequalities in economic starting places. Some are born into abject poverty with a 30-percent chance of dying before their fifth birthday. Others are born into the civilized luxury of the Western middle class. These huge inequalities have evolved in the course of *one* historical process that was pervaded by monumental crimes of slavery, colonialism, and genocide — crimes that have devastated the populations, cultures, and social institutions of four continents.

The privileged of today are quick to point out that they had nothing to do with these crimes and that they should not be held to account for the sins of their forefathers. And right they are! But if they cannot inherit their ancestors' sins, then why can they inherit the *fruits* of those sins, the huge economic superiority prevailing at the end of the colonial period? In 1960, when most former colonies gained their independence, the inequality in *per capita* income between Europe and Africa, for example, was 30 to 1. Foreign rule was removed. But the great inequality built up in the colonial period was left intact, making for a very unequal start into the post-colonial era.

One may think that the situation in 1960 is too long ago to contribute much to the explanation of severe poverty today. But consider what a 30:1 inequality means. Even if Africa had consistently achieved growth in *per capita* income one full percentage point higher than Europe, this inequality ratio would still be nearly 20:1 today. At that rate, Africa would be catching up with Europe at the beginning of the 24th century.

Consider also the impact such huge inequalities have in negotiations about the terms of trade. With the exception of a few giants, such as China and India, poor countries have little bargaining power in international negotiations and also cannot afford the expertise needed to represent their interests effectively. (Such expertise can be quite costly. Recall that the initial WTO Treaty weighed in at 400 lbs or 26,000 pages.) As a result, they typically end up with a lousy deal. They opened their markets widely to foreign companies, paid royalties to foreign firms for films, music, drugs, and even seeds — and still found their own exports severely hampered by rich-country quotas, tariffs, anti-dumping duties as well as subsidies and export credits to domestic producers, all of which were somehow exempted from the supposed Big Move to free and open markets. Such asymmetries in the terms of trade surely play a role in explaining why the inequality in *per capita* income between Europe and Africa has not declined, but has rather increased considerably since the end of the colonial period, standing today at roughly 40:1.

When they influence the design of common rules, pre-existing inequalities tend to be preserved and often aggravated. This phenomenon is evident within national societies, in which economic inequality tends to be quite stable over time. High inequality in Latin America and the US persists over time, just as low inequality does in Scandinavia and Japan. Such stable diversity suggests that inequality is path-dependent, that high inequality tends to reproduce itself because it gives the rich much greater power and also much stronger incentives to shape the common rules in their favor. Within national

societies, one-person-one-vote democracy may mitigate the tendency for large inequalities to expand more and more. But there are no democratic practices the global poor might use to affect the economic rules beyond their own society. Even 85 percent of humankind, united, could not amend the WTO system.

The affluent countries and their citizens are then implicated in world poverty in two ways. We are implicated, first, because *our* great privileges and advantage as well as *their* extreme poverty and disadvantage have emerged through *one* historical process that was pervaded by unimaginable crimes. To be sure, we bear absolutely no moral responsibility for these crimes, even if we are direct descendants of people who do. Still, we are at fault for continuing to enforce the extreme inequalities that emerged in the course of that deeply unjust historical process.

Secondly and independently, we are implicated because we are using our economic, technological, and military advantages to impose a global institutional order that is manifestly and grievously unjust. How do I know this order is unjust? Simply by the fact that an alternative global order would avoid most of the suffering that foreseeably persists under the present order: half of humankind living in abject poverty and 18 million dying annually from poverty-related causes. By imposing this grievously unjust global order upon the rest of the world, the affluent countries, in collaboration with the so-called elites of the developing countries, are harming the global poor — to put it mildly. To put it less mildly, the imposition of this global order constitutes the largest (though not the gravest) crime against humanity ever committed.

Most of those who reject this view are misled by either of two thoughts, which I will briefly address in conclusion. One thought is that our global institutional order cannot possibly be harming the global poor when severe poverty worldwide is in decline. This thought is powerfully reinforced by the lively

debate about globalization in which statements about the global poverty trend, about being “on track” toward the first UN MDG, have come to play a pivotal role.

As demonstrated earlier, it is by no means clear that severe poverty is in decline globally. But assume that it is. It does not follow that the existing global order is not harming the poor. After all, severe poverty may be going down not *because of*, but *despite* this order. Just as a boat may make progress even against a strong current or headwind, so the global poor may be making progress even against global rule-making processes that are slanted against them.

Moreover, even if the global institutional order were having a poverty-reducing effect, it might still be harming the global poor severely. Think of a slave-holding society, like the US in its first 90 years. Suppose its institutional order, by raising overall prosperity, was gradually improving the slaves’ condition. Does it follow that this order was not harmful to those whose enslavement it authorized and enforced? Or does a gradual improvement in the condition of those condemned to serfdom or *corvée* labor in feudal Russia or France really show that they were not harmed by this imposition? Obviously not! Obviously, whether an institutional order is harming people in the morally relevant sense depends not on a diachronic comparison with an earlier time, but on a counterfactual comparison with its feasible institutional alternatives. Most citizens of the affluent countries take comfort in the asserted decline of global poverty, thinking of themselves as benefactors of the global poor in the belief that the global institutional order they impose kills and scars fewer people each year. They should instead take intense discomfort in the fact that a feasible alternative global order could have avoided most life-threatening poverty and its associated evils.

The other misleading thought is that severe poverty today must be traced back to causal factors that are domestic to the countries in which it persists. This seems self-evident from the fact that severe

poverty has evolved very differently in different countries — rapidly melting away in Japan, the Asian tigers, and more recently China, while greatly worsening in Africa. Since all these countries were developing under the same global institutional order, this order cannot be at fault for the persistence of massive severe poverty in some of them.

Now it is true that there are great international variations in the evolution of severe poverty. And it is true that these variations must be caused by local (typically country-specific) factors. But it does not follow that these must be the only causally relevant factors, that global factors are irrelevant.

To see the fallacy, consider this parallel: There are great variations in the performance of my students. These variations must be caused by local (student-specific) factors. These factors, together, fully explain the overall performance of my class. Clearly, this parallel reasoning results in a falsehood: The overall performance of my class also crucially depends on the quality of my teaching and on various other “global” factors besides. This shows that the inference is invalid.

To see this more precisely, one must distinguish two questions about the evolution of severe poverty. One concerns the observed variation in national trajectories. In the answer to this question, local factors must play a central role. Yet, however full and correct, this answer may not suffice to answer the other question, which concerns the overall evolution of poverty worldwide: Even if student-specific factors explain observed variations in the performance of my students, the quality of my teaching may still play a major role in explaining why they did not on the whole do much better or worse than they actually did. Likewise, even if country-specific factors fully explain the observed variations in the economic performance of developing countries, global factors may still play a major role in explaining why they did not on the whole do much better or worse than they did in fact.

Many aspects of the global institutional order have such causal relevance. I have already mentioned the protectionist quotas, tariffs, anti-dumping duties, subsidies and export credits that the rich countries allowed themselves under WTO rules. Likewise, the absence of a global minimum wage and minimal global constraints on working hours and working conditions fosters a “race to the bottom” where the ruling elites of poor countries, competing for foreign investment, are outbidding one another by offering ever more exploitable and mistreatable workforces.

Another important example is the global pharmaceutical regime, which rewards the inventors of new drugs by allowing them to charge monopoly prices for twenty years.¹⁷ These rules price most existing drugs out of the reach of the global poor. And they also skew medical research toward the affluent: Medical conditions accounting for 90 percent of the global disease burden receive only 10 percent of all medical research worldwide. Of the 1393 new drugs approved between 1975 and 1999, only 13 were specifically indicated for tropical diseases (MSF 2001, 10-11). Millions of annual deaths could be avoided if rewards for medical research were based instead on its impact on the global disease burden. Such incentives could be funded, for instance, through a global “Polluter Pays” regime that raises funds from countries in proportion to their citizens’ and corporations’ contributions to transnational environmental pollution. This would replace the current rules under which the more industrialized countries can pollute the oceans and atmosphere at will, thereby imposing much of the cost of their prosperity on the rest of the world with the global poor generally benefiting least and being least able to protect themselves from the effects of pollution.

Global institutional factors also play an important role in sustaining many of the country-specific factors commonly adduced to explain the persistence of poverty. Thus, Rawls is quite right that

when societies fail to thrive, “the problem is commonly the nature of the public political culture and the religious and philosophical traditions that underlie its institutions. The great social evils in poorer societies are likely to be oppressive government and corrupt elites” (Rawls 1993, 77). But he completely fails to note that such oppression and corruption are very substantially encouraged and sustained by global factors such as the international resource and borrowing privileges (Pogge 2002, chs. 4 and 6), the still poorly policed bribe-paying practices of multinational corporations,¹⁸ and the international arms trade.¹⁹

This point also puts into perspective the popular cliché that membership in the WTO (and other international organizations) is voluntary. Yes, voluntary for a country’s rulers. But not for the ruled.

Reflection Four supports the conclusion that the affluent countries, partly through the global institutional order they impose, bear a great causal and moral responsibility for the massive global persistence of severe poverty. Citizens of these countries thus have not merely a positive duty to assist innocent persons mired in life-threatening poverty, but also a more stringent negative duty to work politically and personally toward ceasing, or compensating for, their contribution to this ongoing catastrophe.

All four reflections I have presented challenge how people in the affluent countries tend to think about world poverty. They challenge prevailing views about the extent and trend of world poverty,

¹⁷ This regime was created through the Trade-Related Aspects of Intellectual Property Rights (TRIPs) Treaty, concluded in 1995. For a discussion of its content and impact, cf. UNDP 2001, Juma 1999, Watal 2000, Correa 2000, and www.cptech.org/ip.

¹⁸ “Plenty of laws exist to ban bribery by companies. But big multinationals continue to sidestep them with ease” — so the situation is summarized in ‘The Short Arm of the Law,’ *Economist*, 2 March 2002, 63-5, at 63.

about the international response to world poverty, about the causal explanation of world poverty, and about Western moral responsibility with regard to world poverty. None of these challenges is especially deep or subtle. Anyone with a basic high-school education could have examined the arithmetic of the weakening poverty targets, could have found that PPPs do not track access to basic necessities, could have worried that we may be harming the poor even if their number were in decline, could have considered institutional reforms designed to achieve much faster poverty reduction. The failure to look into these matters so closely related to the widely celebrated first MDG reveals a stunning thoughtlessness in the face of a problem that destroys vastly more lives than problems we do pay at least some attention to — the conflicts in the Middle East and the former Yugoslavia, for instance, or the massacres in Rwanda or East Timor. Our perverse priorities are all the more remarkable because we may bear a far greater responsibility for world poverty than for those local eruptions of violence and also because we can actually do something, as individuals, toward reducing severe poverty while most of us can do very little toward protecting innocent people from violence in the world's trouble spots.

In a sense, such thoughtlessness in the affluent countries is not really surprising. Of course people do not like to think too hard about harms that they themselves may share responsibility for and can do something about. Many Germans in my parents' generation avoided moral reflection under the Nazis. But were they innocent merely because they did not think? Or wasn't their very lack of thought a great moral failing? The latter judgment is widely prevalent. Germans who could truthfully say that they never thought about the fate of those whom state agents were taking from their neighborhoods and about the foreigners crushed by the Nazi war machine, those Germans were not

¹⁹ According to the US Congressional Report *Conventional Arms Transfers to Developing Nations 1994-2001*, www.fas.org/asmp/resources/govern/crs-r131529.pdf, conventional arms transfers into developing countries were valued at \$16 billion in 2001; \$7 billion thereof were delivered by the US.

therefore innocent. Rather, they were guilty of violating their most fundamental moral responsibility: to work out for oneself what one's moral responsibilities are in the circumstances in which one finds oneself. In this respect, we are in the same boat with those Germans: They could not possibly have found it obvious that Nazi conquests and mass arrests required no further thought from them. And we cannot possibly find it obvious that we need give no further thought to world poverty. This is perhaps an unusual claim: Even if it were true that we are not required to do anything at all toward reducing world poverty, it would still be morally wrong of us thoughtlessly to do nothing. The global poor pose a morally inescapable question: What responsibilities do we have in regard to the social conditions that blight their lives? We owe them a reflective answer.

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